In our role as Service Providers, we get to see the inner workings of many credit areas. Here are some observations; have a look and see if any could be useful to you:

1. **CORE ACTIVITIES** included the following:
   - Developing Credit Policy;
   - Carrying out Credit Analysis;
   - Attending to collections - this includes cash application, Credit Application, dealing with outside service providers both legal and non-legal;
   - Setting credit limits.
   - Attending to Management reporting.
   - Attending to Accounts Receivable accounting.

2. **COMMON KEY PERFORMANCE INDICATORS.** These areas can be grouped as follows:

   A. **Financial KPI’s**

   These include:
   
   (i) DSO’s - this could be on a per division basis, per product basis or on a Group basis. Segment the ledger on a size basis as well.
   (ii) Aged Debtors - this could include:
        - The value overdue as a percentage of the total;
        - The value written off as a percentage of sales;
• Comparison of those percentages to last month and last year;
• Accounts where payment arrangements have been entered into;
• The top 10 or 20 customers based on value and any changes in the ranking.

B. People Orientated KPI’s

These include:
(i) Customer satisfaction (remember this will include both internal and external customers). The ways of measuring customer satisfaction are many and varied, however, there are some credit departments out there surveying their customers regularly, seeking feedback on where they can improve and whether or not their service is meeting the customers’ expectation or exceeding it.
(ii) Employee satisfaction. This is an area that we will cover at another time but in essence there are some organisations which engage in 360° feedback reports and assess the Credit Manager. If you are ready to be fully accountable, then this is for you.
(iii) The number of accounts that a member of the Team might action per hour.
(iv) The number of accounts that a member of the Team might recover per hour.
(v) The setting and monitoring of the collections budget.
(vi) Performance review of all Members of the Team based on agreed performance standards.

C. Other KPIs

Some other areas include things like:
(i) The number of customer visits that members of the Credit Team might make.
(ii) The time taken from Account Application to approval.
(iii) The number of matters where legal action has been taken to collect.
(iv) Costs of running the Credit Department.
(v) Costs of collection including:
  • Service provider costs.
  • Letters of Demand and telephone collection costs.
  • Costs of field officers.
  • Costs of the Credit area.
  • Accumulated interest on debt.

THE TAKE AWAY FROM ALL OF THIS IS....

The Credit areas that are committed to constant learning and improvement are those that are making a real difference to the business.

The financial side is vital BUT it is the people side that will truly set you apart (and it is this area that is often neglected).

Want to learn more? Contact Ledlin Lawyers on 02-8488-3389